

The West Australian Finance

Rio terminates Kwinana HIs melt plant
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Wednesday, 19 January 2011

The WA resources sector's dismal record of value-adding has claimed another victim after Rio Tinto yesterday axed its HIs melt pig iron ore venture at Kwinana, waving off a \$1 billion investment. Less than four years since China's President Hu Jintao toured the high-tech operation amid much fanfare, Rio disclosed it had "terminated" the joint venture that ran the technically acclaimed but financially unviable operation. Rio had already written off most of the carrying value of the plant and it made the majority of the 130-strong workforce redundant in late 2008, when operations at HIs melt were suspended in the wake of the global financial crisis. Rio made the announcement as part of its fourth-quarter operating report, published yesterday.

HIs melt joins a long list of costly economic failures headed by BHP Billiton's HBI plant at Port Hedland and its blast furnace and steel rolling mill at Kwinana, the State-run Wundowie Iron and Steel works, and iron pellet plants at Dampier and Cape Lambert run by subsidiaries now owned by Rio. The HIs melt plant - the partners are Rio (60 per cent), Nucor Corp (25 per cent), Mitsubishi (10 per cent) and Shougang Corp (5 per cent) - was the result of a commitment by Rio to establish a mineral downstream processing plant in return for WA Government approval to mine the massive Yandicoogina iron ore deposit in the Pilbara. The technology for the plant was devised to handle high-phosphorous iron ore and produce molten iron from fines and non-coking coals. China's steel industry has been a keen observer of the HIs melt technology - as evidenced by President Jintao's visit in 2007 - while a European consortium is in the throes of testing the technology at a mill in the Netherlands.

Although the Kwinana plant failed, Rio hopes to salvage some value from its investment through licensing the HIs melt technology to other groups. It remains unclear whether Rio would be forced by the WA Government to focus on other value-add processes to make up for HIs melt's failure, or whether the State would accept that the miner had committed big sums to try to make the plant work. Acting Premier Kim Hames said last night: "The HIs melt project has been in care and maintenance since early 2009 so it is not surprising the company has chosen to close. I have been advised there will be no job losses as a result of Rio's decision today."

Rio is likely to have to spend at least \$30 million dismantling the HIs melt plant and remediating the site. It is preparing a closure study before beginning the dismantling process, which is likely to be completed in 2014. HIs melt's failure could prove a boon for some of the Yilgarn's smaller iron ore mining hopefuls, including Nathan McMahon's Cazaly Resources and Chris Ellison's Mineral Resources, which are eyeing space at the Kwinana bulk handling port dedicated to HIs melt but now no longer required.